



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 01-0288531

**THE APPLICATION OF EOG RESOURCES, INC. FOR AN EXCEPTION TO
STATEWIDE RULE 32 FOR THE SKYNARD UNIT, WELL NO. 1H, EAGLEVILLE
(EAGLE FORD-1) FIELD, GONZALES COUNTY, TEXAS**

HEARD BY: Brian Fancher, P.G. - Technical Examiner
Marshall F. Enquist - Legal Examiner

DATE OF HEARING: May 27, 2014

APPEARANCES:
APPLICANT:

REPRESENTING:

Doug Dashiel
Jeff Perry

EOG Resources, Inc.

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

EOG Resources, Inc. ("EOG") requests an exception to 16 Texas Administrative Code §3.32 to flare casing-head gas from its Skynard Unit, Well No. 1H (API No. 42-177-33031) at a rate of 150 thousand cubic feet of gas per day ("MCFGD") indefinitely.

After review of the record evidence, the examiners concluded EOG's request to flare indefinitely is inappropriate at this time, and that EOG's requested time frame be reduced to one year. EOG did not consider the examiners' opinion as adverse to its subject application.

The examiners take Official Notice of the Commission's public records pertaining to the subject well's approved Form W-1 (i.e. drilling permit application), and the current special field rules governing the Eagleville (Eagle Ford-1) Field.

The application is unopposed and the examiners recommend approval, as requested by EOG and modified by the examiners.



DISCUSSION OF THE EVIDENCE

Title 16, §3.32 of the Texas Administrative Code (“TAC”) governs the utilization for legal purposes of natural gas produced under the jurisdiction of the Railroad Commission. EOG requests to flare casing-head gas produced from the subject well, as provided by 16 TAC §3.32(h).

16 TAC §3.32(h) provides that an exception to flare casing-head gas in volumes greater than fifty (50) MCFGD may be granted administratively for a period up to 180 days. Beyond that, 16 TAC §3.32(h)(4) provides that exceptions beyond the 180 days shall be granted only in a final order signed by the Commission.

The Skynard Unit, Well No. 1H (“the Well”) is completed in the Eagleville (Eagle Ford-1) Field in Gonzales County, Texas.

By letter dated April 15, 2014, EOG requested a hearing to consider an exception to extend its flaring authority from the Well.

The record evidence shows that EOG obtained approval from the Commission to flare casing-head gas beyond 50 MCFGD for a total of 180-consecutive days in the Well. Effective September 18, 2013, the Well was granted an administrative permit (Permit No. 14591) to flare casing-head gas for forty-five days at a rate of up to 350 MCFGD. Subsequently, EOG renewed permit no. 14591 to flare up to 300 MCFGD for an additional 54 days. After that, EOG extended its permit to flare up to 200 MCFGD for an additional 81 days, which expired on April 25, 2013.

EOG submitted a copy of the Well’s approved Form W-2 (“completion report”), dated September 12, 2013, which indicates the Well’s twenty-four hour initial potential reported 455 barrels of oil per day (“BOPD”), 194 MCFGD, and 1,770 barrels of water per day (“BWPD”) on a 32/64” choke. Beyond that, the Well exhibited a gas-to-oil ratio of 426 standard cubic feet per barrel of oil. The Well produces hydrogen-sulfide (“H₂S”) gas at a volumetric concentration of roughly 7,500 parts per million.

EOG submitted daily production data measured from the Well, which was recorded from September 2013 through mid-May 2014. The Well’s production decline is hyperbolic. Said data also indicates that the Well produced casing-head gas volumes from 400 to 11 MCFGPD. The Well is currently producing casing-head gas volumes at rates ranging from 11 to 128 MCFGD.

EOG testified that its necessity to flare the Well is due to the nearest available gas pipeline being too far from the Well’s location to justify the economic investment of installing a transport pipeline connecting the two points¹. EOG submitted an economic projection of investment versus return on investment (“ROI”) to install a pipeline connecting the Well to the nearest available gas sales point. EOG testified that its economic projection indicated a ROI of (-) \$4,646,296.

¹ See EOG Exhibit No. 1, Tab Nos. 5 and 6.

Consequently, EOG requested to flare 150 MCFGPD indefinitely, per 16 TAC §§3.32(f)(2) and 3.32(h)

However, Commission records indicate that the Well is the only well located on a pooled unit composed of 640-acres². The special field rule governing well-density³ in the Eagleville (Eagle Ford-1) Field provides a minimum of 80-acre drilling units, and optional 40-acre drilling units. That is, the Skynard Unit may potentially include an additional eight to sixteen wells in the future while staying within the current minimum density requirement for the subject field.

In addition, the examiners opine that EOG's economic evaluation is based upon multiple unstable variables. As a result, the examiners concluded it inappropriate to recommend the Well be granted authority to flare casing-head gas indefinitely. Instead, the examiners recommended EOG's subject application be reduced to one year. EOG did not consider the examiners' opinion as adverse.

FINDINGS OF FACT

1. EOG Resources, Inc. ("EOG") seeks an exception beyond 180 days to flare casing-head gas in volumes exceeding fifty thousand cubic feet per day ("MCFGPD") from the Skynard Unit, Well No. 1H (API No. 42-013-34711) ("the Well").
2. The Well is completed in the Eagleville (Eagle Ford-1) Field in Gonzales County, Texas.
3. EOG's 180-day administrative authority to flare casing-head gas from the Well expired on April 25, 2014.
4. EOG seeks to flare casing-head gas from the Skynard Unit, Well No. 1H at a rate of 150 thousand cubic feet of gas per day ("MCFGD") indefinitely.
5. Indefinite flaring of casing-head gas from the Well is inappropriate.
6. As of June 2, 2013, the Well is the only well completed in the Eagleville (Eagle Ford-1) Field on the Skynard Unit., which is made-of 640-acres.
7. The special field rules governing the Eagleville (Eagle-Ford-1) Field provide for 80-acre drilling units and 40-acre optional drilling units.

² See Item Nos. 20, 23, & 32 of the Well's Form W-1 dated June 24, 2013.

³ See Rule No. 3; Oil & Gas Final Order 01-0282089.

CONCLUSIONS OF LAW

1. Proper notice was issued as required by all applicable statutes and regulatory codes.
2. All things have occurred and been accomplished to give the Commission jurisdiction in this matter.
3. The requested authority to flare 150 thousand cubic feet per day of casing-head gas from the Skynard Unit, Well No. 1H (API No. 42-177-33031) for one year satisfies the requirements of Title 16, Texas Administrative Code §§3.32(f)(2)(D) and 3.32(f)(h)(4).

EXAMINERS' RECOMMENDATION

Based on the above findings of fact and conclusions of law, the examiners recommend that the Commission grant an exception to flare 150 MCFGD of casing-head gas for one year from the Skynard Unit, Well No. 1H (API No. 42-177-33031) in the Eagleville (Eagle Ford-1) Field in Gonzales County, Texas.

Respectfully submitted,



Brian Fancher, P.G.
Technical Examiner



Marshall F. Enquist
Legal Examiner